

# WASHINGTON STATE DEPARTMENT OF REVENUE

## SPECIAL NOTICE

For further information contact:  
Telephone Information Center  
1-800-647-7706 or (360) 486-2345

Alternate Formats (360) 486-2342  
Teletype 1-800-451-7985

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### Important Information for Retailers Making Sales to the US Government

Do you make tax-exempt sales to the United States' government or its agencies? If so, it is important to be aware of which cards you can accept as being paid directly by the United States' government and which are the responsibility of the card holder.

On November 30, 1998, the US Government adopted a new credit card system. The current plan will be in effect until at least November 2003 and may be extended on a year-by-year basis until 2008. Instead of a single provider for each type of card, several providers have issued VISA, MasterCard, or Voyager cards. The cards picture the American Emblem in the upper left corner, are embossed with "United States of America" followed by the GSA SmartPay logo. The cards have **one of the designs pictured below**. The following are the four groups of cards that have been issued:



#### Purchase Cards:

- ◆ **Exempt from retail sales tax**, embossed with "For Official Government Purchases Only US Government Tax Exempt."
- ◆ VISA or MasterCard.
- ◆ Used to purchase tangible personal property.
- ◆ Issued by US Bank, Citibank, NationsBank, Mellon Bank, or First National Bank of Chicago.



#### Fleet Cards:

- ◆ **Exempt from retail sales tax**, embossed with "For Official Government Fleet Use Only."
- ◆ Voyager or MasterCard.
- ◆ Generally issued to a specific vehicle, but may also be issued to individuals.
- ◆ Used to purchase fuel, repair services and other items related to vehicles, airplanes, boats, and equipment.
- ◆ Issued by US Bank, Citibank, NationsBank or First National Bank of Chicago.

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#### Travel Cards:

- ◆ **May or may not be exempt from retail sales tax (see chart on page 3).**
- ◆ Embossed “For Official Government Travel Only.”
- ◆ VISA or MasterCard.
- ◆ Used to purchase air fare, lodging accommodations, meals, etc.
- ◆ Issued by US Bank, Citibank, NationsBank, or First National Bank of Chicago.



#### Integrated Cards:

- ◆ Exempt when used to purchase tangible personal property.
- ◆ Exempt when used for fleet purchases or services.
- ◆ **May or may not be exempt from retail sales tax when used to purchase travel, i.e., air fare, lodging accommodations, rental cars, meals, etc. (Please see charts below.)**
- ◆ Embossed “For Official Government Use Only.”
- ◆ VISA or MasterCard.
- ◆ Used for any combination of purchase, travel, or fleet services.

As explained in Washington Administrative Code (WAC) 458-20-190, only those sales made directly to the US Government qualify for a retail sales tax exemption. Sales to federal employees or representatives of the federal government are subject to sales tax, even though the federal government may reimburse them for all or part of the expenses.

#### **Not all Travel Cards or travel purchased with the Integrated Cards qualify for the exemption.**

- ◆ Only credit card accounts that are billed directly to the US Government (Centrally Billed Accounts-CBAs) **qualify** for the exemption from the retail sales tax.
- ◆ Accounts that are paid by the individual and then reimbursed by the US Government (Individually Billed Accounts-IBAs) **do not qualify** for the exemption from the retail sales tax.
- ◆ Integrated cards may be a combination of IBA and CBA charges.

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- ◆ Please use the following charts to determine whether you should charge sales tax on travel or travel-related charges. **The sixth digit of the account number will identify exempt cards.**

**TRAVEL & TRAVEL-RELATED CHARGES PAID FOR BY USING  
THE US GOVERNMENT VISA TRAVEL OR INTEGRATED CARDS:**

VISA Prefix	Fifth Digit	Sixth Digit	CBA or IBA	Exempt
4486 & 4716	0-9*	0, 6,7,8,9	CBA	YES
4486 & 4716	0-9*	1,2,3,4	IBA	NO

**TRAVEL & TRAVEL-RELATED CHARGES PAID FOR BY USING  
THE US GOVERNMENT MASTERCARD TRAVEL OR INTEGRATED CARDS:**

MasterCard Prefix	Fifth Digit	Sixth Digit	CBA or IBA	Exempt
5568	0-9*	0, 6,7,8,9	CBA	YES
5568	0-9*	1,2,3,4	IBA	NO

\* The fifth digit can be any number between 0 through 9 and is not used to determine the taxability of cards.

There is on exception. The Bureau of Reclamation cards are centrally billed for all purchases including lodging. If a traveler has identification from the Bureau of Reclamation and is using a card numbered 5568-16, that purchase is tax exempt.

**The only means to purchase goods or retail services exempt from the retail sales tax is if:**

- ◆ The purchase is paid for using a qualified exempt US Government credit card.
- ◆ The purchase is paid for by a check from the US Government payable to the business.
- ◆ The purchase is paid for by a government voucher.
- ◆ Cash purchases are accompanied by a standard federal form SF 1165.

**Records to be Kept**

Sellers must keep proper documentation as follows:

- ◆ The vendor's copy of the receipt must be kept when a US Government credit card is used.
- ◆ A copy of the federal government voucher when a voucher is used.
- ◆ A signed copy of Form SF 1165 when the buyer makes a cash purchase.
- ◆ If you are presented with a formal US Government exemption certificate, **this is not acceptable proof.**

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## **Business and Occupation Tax**

The gross amount received from sales of tangible personal property or retail services to the US Government is subject to the Retailing classification of the business and occupation tax. The exemption from the retail sales tax **does not** extend to the business and occupation tax.

## **Administrative Rules**

- ◆ Washington Administrative Code (WAC) 458-20-190 Sales to and by the United States, its departments, institutions and instrumentalities—Sales to foreign governments.
- ◆ Washington Administrative Code (WAC) 458-20-166 Hotels, motels, boarding houses, rooming houses, resorts, summer camps, trailer camps, etc.

## **More Information or Questions?**

If you have any questions, please call the Department of Revenue's Telephone Information Center at 1-800-647-7706 or write to the Department of Revenue, Taxpayer Information and Education, Post Office Box 47478, Olympia, Washington 98504-7478, fax (360) 486-2159. You can also visit our web site at: <http://dor.wa.gov>.

To view the cards or find more information on the new cards issued under the GSA SmartPay Program, please visit the US General Services Administration (GSA) web site at: <http://pub.fss.gsa.gov/services/gsa-smartpay>.

To find out more information on how individual states tax federal employees on official business, please visit the GSA web site.

To inquire about the availability of this document in an alternate format for the visually impaired, please call (360) 486-2342. Teletype (TTY) users please call 1-800-451-7985.